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*Licensing is a common activity for corporate brandowners but there are some licensing programmes that succeed and others that fail, so what are the 5 tell-tale signs of a healthy licensing programme, and how can you ensure your programme is flushed with success at the top of the table rather than bringing up the rear. After 10 years of building an agency with a focus on corporate licensing, Golden Goose's founder **Adam Bass**, shares his view on how to:*

Power up your licensing

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At Golden Goose we focus on licensing that extends brands into new categories and sectors where there is brand relevance, but the market opportunity falls outside the brandowner's organisational competence. We define licensing as 'the outsourcing of a brand's NPD, Sales and Distribution in exchange for a small percentage of revenue and 100% of the brand equity". Many brands tend to overlook the "100% of the brand equity" part, focusing instead on the revenue and "how come it seems so 'small'?" Obviously, 'small' is relative – for our clients, licensing will rarely yield more than a 1% increase in market share so the extra income on the bottom line is a welcome addition but the brand always come first. Successful licensing programmes tend to leverage the 100% brand equity in order to maximise the revenue opportunity whilst targeting an increase in brand equity. Here then, are 5 tell-tale signs of a healthy licensing programme, along with some recommendations of how to deliver them.

1) Ride the Curve

Progress and innovation is a constant in every category. Some argue that the rate of change is increasing but according to Kevin Kelly – author of What Technology Wants – the rate of change across most technological improvement is virtually a constant, just like Moore's Law which dictates that processor speed and chip size will double and halve respectively every two years. However fast it's moving, there's always a bandwagon rolling and your brand will eventually have to jump onto it: Just ask the Marketing Department that now has to divide its time across traditional media whilst adding platforms to cope with Twitter, Facebook, Instagram, Pinterest and whatever else is coming down the social media pipe. As Jean Noel Kapferer puts it in his book Strategic Brand Management "Brands are rejuvenated by new products matching new needs" and humans have been innovating for centuries, developing and meeting new needs in the name of progress.

Brands bring credibility to innovation and licensing makes powerhouse brands available to innovative manufacturers looking to own emerging markets. A good example in the UK is the Mars licensing programme which has a long term relationship with McVities who regularly use

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the brands to launch innovative products from cakebars to flapjacks, muffins, or whatever else is trending in the baked goods category.

Basically branded innovation trumps innovation so a Heston Blumenthal green tea and melon ice-cream will deliver empty shelves whereas an unbranded green tea and melon ice-cream probably gathers dust.

For licensing programmes this means the race is on to be the first brand to own an emerging trend. Visit any food trade fair and you'll see that the healthy snacking category is a vivid cacophony of innovation with hydrating coconut water, low fat vegetable bars, protein drinks and almond butter all lighting up the radar. Coca Cola's stake in coconut water Zico suggests it won't be long before a leading drink brand ties its flag to this particular mast.

Ride the curve:

- Moodboard new products
- Visit trade fairs, look for emerging innovation
- Be the first brand into the new category
- Canvas consumer opinion via social media and market research
- Talk to retail buyers early in the NPD cycle

2) Fight with giants

Most categories are dominated by one significant branded player with a majority market share. This is the only brand that can justify an advertising budget, making it a dominant beast constantly seeing off smaller competitors with 'marketing contributions' that protect their share of the retail shelf.

Ironically, these dominant giants can actually prove stifle the whole category. Often seen as cash cows by their owners, they rarely lead category innovation. With private label being the only serious number two brand this can lead to stagnation. The market leader becomes tempted by downengineering to increase profit margins rather than fix what isn't broken.

This is how we're left with one market leader in the UK mustard market that hasn't changed very much for nearly 50 years. Sure they've introduced squeezy Colmans mustard and Hot Dog Colmans mustard and a whole grain, but none of these have enough clout to justify a marketing budget.

When a market is stagnant there's a good opportunity for private label manufacturers to use licensing to take on the market leader. Instead of having to create a brand and fund the marketing, these brandless manufacturers can license in a powerhouse brand from another

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category and undercut the market leader by developing better value offerings with more innovation. Usually the buyer is only too happy to deliver a warning shot across the bows of the lazy market leader.

Golden Wonder recently licensed in Heinz's brands – Tomato Ketchup and HP – to create a point of difference from Walkers. Crisps have been a ripe ground for licensed brands with Nando Crisps, Reggae Reggae Crisps and many more besides. These butt up against Walkers and Kettle delivering much needed relief from mundanity for buyers and shoppers alike.

Similarly, the pressure washer category was reinvigorated by the introduction of a branded RAC pressure washer that shook up the market, taking valuable share away from Karcher, triggering a bout of innovation in the category.

Sometimes retailers license direct rather than buying in licensed product from a manufacturer, especially when the private label offering is lagging heavily their competition. Retail giant Tesco worked with Ken Hom on a branded private label Chinese ready meal because they knew they hadn't cracked the market and needed expert input and a brand consumers would recognise.

Fight with giants:

- Target top heavy categories
- Source private label manufacturers
- Overspec, underprice
- Go direct
- Follow through

3) Feed the Core

In many licensing programmes the brand plays two roles, one as an identifier that consumers can recognise on their radar of choices, and one as an ingredient in the licensed product. This is particularly true in categories that complement the core branded product, perhaps sharing or extending a usage occasion. For example, The Cadbury licensing programme uses the same Cadbury chocolate in its biscuits and cake bars as it does in its core product. In some respects, you could argue that a Cadburys biscuit is actually a competitor usage occasion for the core Cadbury's chocolate range. Instead, Cadbury's seem to have recognised that it is better to use this 'ingredient' style branding and risk owning some of the cannibalisation rather than lose out when consumers choose a biscuit over chocolate.

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The Jack Daniels barbeque sauce is not a competitor for the whisky but does bring the core product to mind at outdoor cooking occasions, amply illustrating how licensed products can deliver brand values in new categories. Similarly the Tetley Tea Loaf delivers on this dual role, complementing the tea drinking occasion and flavoured with Tetley tea. In order for this type of licensing to work well, there needs to be some communication with the trade sales teams to ensure that core retail buyers are aware of the new product and that licensees can access core products at preferential rates.

With the core product an ingredient in the licensed product, there should be opportunities for joint retail promotions with licensee and licensor working together to provide a unique offering for consumers. If nothing else a promotion around a new product will offer increased visibility without the dip in profits and sales caused the loyalist consumer group stocking up on discounted products.

Gifting plays an interesting role in feeding the core, making the brand appear like a much loved visitor at the Christmas party. The Marmite, Tetley and Coca Cola range of gifts all deliver on this additional benefit.

Feed the Core:

- Identify complementary categories
- Extend the occasion
- Ensure trade support
- Run joint promotions
- Look at gifting

4) Marketing back2back

Successful licensing programmes don't keep licensees in the dark about future marketing plans. Instead they share marketing materials with partners, giving them as much notice and information as possible. If an advertising schedule is in place, then licensees should have sight of it virtually a year in advance so that the marketing campaign can also be incorporated or adapted for the licensed product, and licensees can have the benefit of using the marketing plans as a sales tool.

The look and feel of all branded and licensed communication should be harmonious with all parties delivering the same tune. The best exponents of these monocultural advertising campaigns are the high fashion licensors such as Chanel and Burberry, whose perfume, sunglasses, watches and luggage licenses all deliver their messages in the same titles with the same visual elegance.

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Less sophisticated licensors can still deliver consistent visual messaging, whether it be featuring the licensed products in the background of adverts or advertorials – like the Matt Roberts Argos range that features in his columns in the Times newspapers, or the incorporation of the products into advertisements and reader offers that Men's Health magazine does for its Germans sports nutrition partner.

Trade shows, branded shops and exhibitions are another great way to incorporate licensing into the marketing mix, with Oscar Mayer Wienermobile and M&M's featuring their licensed products in store and at trade shows.

Market back2back:

- Develop and Build marketing support package
- Share marketing plans
- Add licensing to brand plan
- Present to and with licensees
- Co-ordinate licensee marketing

5) Partners for life

Successful licensing is a long-term, durable, sustainable business relationship that can last many years. Like most relationships there will be ups and downs but ultimately if it is to succeed it depends on the both parties developing and nurturing each other's trust. Often the licensee can become a vital part of the brand helping to extend it into new territories and eventually the licensee and licensor can fall in step so that one takes over the other.

The relationship between Calvin Klein and Warnaco has certainly seen some ups and downs with both sides suing and countersuing each other at one point, and with Warnaco first filing for bankruptcy and then recovering, only to stealthily acquire other Calvin Klein licensees. The final chapter of the relationship looks like it has now been written because Calvin Klein's owners, Philips Van Heusen have finally had enough and acquired Warnaco in a deal worth $2.9Bn.

Similarly Premier Foods are the makers of Cadburys drinking chocolate. This age old relationship grew out of Premier acquiring a factory that had the rights to make the drinking Chocolate and has survived Premier acquisition of RHM , spiralling debt and then consolidation, all the time with Cadbury prompting their partner to respect the brand and continually innovate.

The majority of licensees that find success in a category with a brand will look to extend their reach into other categories, as well as redevelop the core product, creating a marketing plan

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and developing phase, 2, 3 and 4 of the licensed product. As long as both parties respect the brand and put it before their own interest then the licensed product will work well alongside the core product, justifying its own marketing plan and category manager to drive innovation.

Partners for life:

- Source credible partners
- Push for quality
- Watch royalty reports
- Support sell in to retail
- Push for innovation

Conclusion

Successful licensing programmes don't happen by accident, over time they develop practises that ensure licensing has a seat at the table when branding is discussed, with the marketing and operations department ready to factor the licensing programme into their plans.

Revenue is one measure of success but is the symptom of successful licensing rather than the be all and end all. Ultimately, successful licensing depends on consumers accepting the licensed product delivers the brand's sustainable point of difference across multiple categories.

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